

ISSUE DATE: August 11, 1999

DOCKET NO. P-555, 428,421, 577/CP-97-346

ORDER ESTABLISHING RATES
FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey
Joel Jacobs
Marshall Johnson
LeRoy Koppendrayer
Gregory Scott

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended
Area Service from the Mazeppa Exchange
to the Zumbrota, Oronoco, Pine Island, and
Rochester Exchanges

ISSUE DATE: August 11, 1999

DOCKET NO. P-555, 428,421, 577/CP-97-346

ORDER ESTABLISHING RATES
FOR POLLING

PROCEDURAL HISTORY

On March 3, 1997, subscribers in the Mazeppa exchange submitted a petition for extended area service (EAS) to the Zumbrota, Pine Island, Oronoco, and Rochester exchanges. Mazeppa is served by Sleepy Eye Telephone Company (Sleepy Eye); Zumbrota is served by Zumbrota Telephone Company; Pine Island and Oronoco are served by Pine Island Telephone Company; and Rochester is served by U S West Communications, Inc. (USWC).

On September 17, 1997, the Commission issued its ORDER FINDING ADJACENCY AND SUFFICIENT TRAFFIC VOLUME AND REQUIRING FILING OF COST STUDIES. In this Order, the Commission found adjacency and adequate EAS traffic volume to satisfy the Commission's first two EAS criteria. The Commission also noted that there are a number of potential local calling areas involved in this case and requested comments and recommendations from the parties on the best method to achieve understandable and fair polling results. The Commission mentioned that one possible approach would be to send Mazeppa subscribers three separate ballots, one for each of the following three routes, with the instructions to vote on each and every ballot:

- EAS from Mazeppa to Zumbrota, Pine Island, and Oronoco, yes or no.
- EAS from Mazeppa to Pine Island, Oronoco, and Rochester, yes or no.
- EAS from Mazeppa to Zumbrota, Pine Island, Oronoco and Rochester, yes or no.

In addition, the Commission ordered the affected telephone companies to prepare cost studies and proposed rates for the three routes listed above.

Between November 17, 1997 and February 23, 1998, fifteen (15) people from the Mazeppa exchange submitted comments.

On February 18, 1998 and February 23, 1998, the affected companies submitted cost studies and proposed rates.

On August 6, 1998, the Minnesota Department of Public Service (the Department) filed comments.

On August 26, 1998, USWC filed revised proposed rates.

The Commission met on August 3, 1999 to consider this matter.

FINDINGS AND CONCLUSIONS

I. COST STUDIES/REVENUE REQUIREMENT

The Department expressed no concerns about the companies' cost studies in its August 6, 1998 comments. The Department noted that Pine Island Telephone Company filed cost studies and calculated the rates for the combined Pine Island and Oronoco exchanges. The Department indicated that it has no concerns with the above approach since both exchanges are served by Pine Island Telephone company and have the same basic rates and also have EAS to each other.

The Commission finds that the companies' cost studies are reasonable and will approve them.

II. SELECTION OF POLLING ROUTES

In response to the Commission's inquiry regarding routes for polling, the Department recommended that the Commission present ballots to the Mazeppa subscribers for each of the potential routes identified in the previous Order, with instructions to vote on each and every ballot:

- EAS from Mazeppa to Zumbrota, Pine Island, and Oronoco, yes or no.
- EAS from Mazeppa to Pine Island, Oronoco, and Rochester, yes or no.
- EAS from Mazeppa to Zumbrota, Pine Island, Oronoco and Rochester, yes or no.

Fifteen Mazeppa subscribers filed comments objecting to the possibility of asking Mazeppa subscribers to vote on three potential EAS routes. The commenting subscribers stated that this approach could lead to subscriber confusion. They argued that the original petition had been for EAS to a single (four-exchange) area and therefore should be put to a single vote.

Two of the commenting subscribers, Dave and Suzanne Oliver, reported that during the petition process petition organizers had divided the Mazeppa directory and called each listing. They further reported that from that calling, they learned that the overwhelming majority desired EAS to Rochester and that EAS to Rochester was the primary objective of those who supported the EAS petition.

The Commission has considered this matter and wishes to proceed in a manner which secures polling which is consistent with the objectives of the petitioners. Based on the clarification provided by the subscribers, the Commission will not prescribe voting on the potential route that does not include Rochester. The Commission will, however, allow subscribers to vote on the two routes that do include Rochester:

- the larger and more expensive Mazeppa to Zumbrota, Pine Island, Oronoco, and Rochester route specifically identified in the petition; and
- additionally, the smaller less expensive Mazeppa to Pine Island, Oronoco, and Rochester route which the Commission properly implied from the petition in its September 17, 1997 Order in this matter.

Both routes are valid options based on the petition and, since the only difference is the inclusion or exclusion of Zumbrota, it should not be too confusing for the Mazeppa subscribers to decide whether they want to pay more to include Zumbrota in their EAS route.¹ This will give the Mazeppa subscribers who reportedly seek EAS to Rochester as their primary objective two routes that will achieve that result.

To clarify: subscribers will be given two ballots; one for each route. They will be instructed to complete each ballot, voting for or against each route separately. If neither route receives majority support from those returning their ballots, the result is clear: the petition will be denied. Equally clear is the result if one route receives majority support and the other does not. And, in the event that both the larger and smaller routes receive the required majority approval from subscribers returning their ballots, the Commission will order the installation of the larger route, even if the smaller route is approved by a larger majority than the majority supporting the larger route. This result is appropriate because the smaller route, which the Commission has implied from the petition, is clearly an alternate route and the larger route is the route specifically identified by the subscribers in their petition and would have been the only one voted upon (and approved) if the Commission had not implied and required voting on the second (smaller) route.

In sum, the smaller, implied route (Mazeppa to Pine Island, Oronoco, and Rochester) is a fall-back route, in the event that a majority of subscribers do not support the larger route (Mazeppa to Zumbrota, Pine Island, Oronoco, and Rochester) specifically identified in the petition. The implied alternate route will be installed only if a majority of subscribers reject the larger route but do support the implied (shorter, less expensive) route. Because it is an implied route, it will not take precedence over the larger (specifically identified) route if that route receives majority support, even if the implied route receives a larger majority than the larger (specifically identified) route.

¹ The cost difference between the two EAS routes is clear. For example: Mazeppa's Residential 1-Party rate for the Pine Island/Oronoco/Rochester EAS route is \$16.46, which increases to \$20.77 when Zumbrota is included.

III. EAS RATES FOR THE PROPOSED ROUTES

A. Allocation of Revenue Requirement Between Mazeppa and the Petitioned Exchanges

The Commission may allocate between 50 and 75 percent of the revenue requirement to the petitioning exchange, Mazeppa. For the two routes selected by the Commission (see previous section), the Department recommended that the Commission adopt the following allocations of revenue requirements:

- EAS from Mazeppa to Pine Island, Oronoco, and Rochester - 50/50 allocation
- EAS from Mazeppa to Zumbrota, Pine Island, Oronoco and Rochester - 50/50 allocation

The Department explained that it based its recommendations on the rationale that it would support allocating more of the revenue requirement to the petitioned exchanges if the petitioning exchange would experience at least a \$0.15 decrease for every \$0.01 increase to the petitioned exchange - a rate ratio of at least 15 to 1.

The Commission finds that this approach is reasonable in this case and will adopt rates calculated to collect fifty percent of the revenue requirement from the Mazeppa subscribers.

B. Allocation of Revenue Requirement Assigned to the Petitioned Exchanges Between the Petitioned Exchanges

When, as in his docket, there are two or more petitioned exchanges along the same route, the Commission must allocate the revenue requirement not allocated to the petitioning exchange among the petitioned exchanges.

There are at least three different methods for deciding how to allocate the revenue requirement among the petitioned exchanges. Department recommended that the Commission accept the rate additives based on the access line method. The Department argued that rate additives based on access line counts are the most reasonable option because the rate additives indicated are expressed per access line.

The Commission finds that the Department's proposed method is reasonable and comports with Commission precedent on this point. The Commission will, therefore, allocate revenue requirement obligation among the petitioned exchanges on that basis and set EAS additive rates for these exchanges accordingly.

C. Recalculated Rates

The Department recalculated the proposed EAS additives for all exchanges involved (on all three route alternatives) to reflect line access counts as of year-end 1997 for those exchanges.

On August 26, 1998, USWC filed revised proposed rates, on top of the revised rates provided by the Department in its August 6, 1998 comments, to adjust for the Centrex/Centron EAS additives for the Rochester exchange. USWC explained that the adjustment is to assess the EAS additive for the Centrex/Centron on a trunk equivalency basis rather than on the number of station lines. The rates for the two selected routes, incorporating the Department's and USWC's recalculations

and making the allocations selected in the two foregoing sections are as set forth in Ordering Paragraph 2 (below).

ORDER

1. Polling of subscribers in the Mazeppa exchange shall proceed regarding the following two routes:

Route #1: EAS from Mazeppa to Zumbrota, Pine Island, Oronoco and Rochester; and

Route #2: EAS from Mazeppa to Pine Island, Oronoco, and Rochester.

2. Based on the companies' approved cost studies, the Department's recommended cost allocations, the access line calculation method, and treating Pine Island and Oronoco as one exchange (because they have EAS to each other and, hence, constitute a local calling area), the Commission hereby adopts EAS rate additives for the Mazeppa, Zumbrota, Pine Island, Oronoco for the two selected routes as follows:

Route #1: Mazeppa to Zumbrota, Pine Island, Oronoco, and Rochester

EAS Additives for Mazeppa*

Class of Service	Base Rate	50%
One Party Residential	\$7.65	\$13.12
One Party Business and Payphones	\$11.40	\$19.55

*Mazeppa's base rate includes EAS to Goodhue

EAS Additives for Zumbrota*

Class of Service	Base Rate	50%
One Party Residential	\$12.11	\$0.13
One Party Business and Payphone	\$21.57	\$0.24
PBX	\$43.13	\$0.48

*Zumbrota's base rate includes EAS to Pine Island, Oronoco, and Rochester

EAS Additives for Pine Island and Oronoco, treated as one exchange*

Class of Service	Base Rate	50%
One Party Residential	\$14.06	\$0.15
One Party Business	\$21.35	\$0.23
Payphones	\$23.11	\$0.25

*Pine Island and Oronoco's base rates include EAS to each other, Rochester, and Zumbrota

Department Calculated EAS Additives for Rochester*

Class of Service	Base Rate	50%
One Party Residential	\$14.91	\$0.13
One Party Business	\$36.87	\$0.32
Trunk/Centrex/CENTRON	\$39.44	\$0.34
Public/Semi-Public Payphone	\$36.87	\$0.32

*Rochester's base rate includes EAS to Byron, Chatfield, Elgin, Eyota, Kasson/Mantorville, Oronoco, Pine Island, Rock Dell, Stewartville, St. Charles, Zumbro Falls and Zumbrota

Route #2: EAS from Mazeppa to Pine Island, Oronoco, and Rochester

Additives for Mazeppa*

Class of Service	Base Rate	50%
One Party Residential	\$7.65	\$8.81
One Party Business and Payphones	\$11.40	\$13.13

*Mazeppa's base rate includes EAS to Goodhue

EAS Additives for Pine Island and Oronoco, treated as one exchange*

Class of Service	Base Rate	50%
One Party Residential	\$14.06	\$0.11
One Party Business	\$21.35	\$0.16
Payphones	\$23.11	\$0.17

*Pine Island and Oronoco's base rates include EAS to each other, Zumbrota, and Rochester

EAS Additives for Rochester*

Class of Service	Base Rate	50%
One Party Residential	\$14.91	\$0.09
One Party Business	\$36.87	\$0.22
Trunk/Centrex/CENTRON	\$39.44	\$0.23
Public/Semi-Public Payphone	\$36.87	\$0.22

*Rochester's base rate includes EAS to Byron, Chatfield, Elgin, Eyota, Kasson/Mantorville, Oronoco, Pine Island, Rock Dell, Stewartville, St. Charles, Zumbro Falls and Zumbrota

3. Sleepy Eye Telephone Company shall cooperate fully with the Commission staff and contractors to conduct a poll of telephone subscribers in the Mazeppa exchange.
 - a. The Company shall provide usable, deliverable addresses for all access lines in a format and according to a schedule established by Commission staff.
 - b. The Company shall provide proof of the accuracy of the customer list as requested by Commission staff.
 - c. The Company shall provide a list of Mazeppa subscribers as of the date specified by Commission staff for polling the Mazeppa exchange.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), (651) 297-1200 (TTY), or 1-800-627-3529 (TTY relay service).